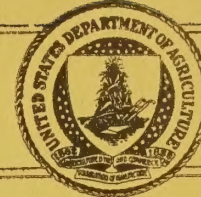
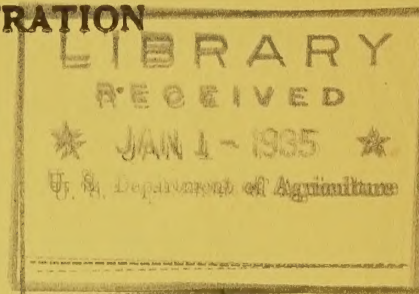
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AGRICULTURAL ADJUSTMENT ADMINISTRATION



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CONTROLLED EXPANSION OF PRODUCTION
FEATURE OF ADJUSTMENT PROGRAMS FOR 1935

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More than 3,000,000 of the nation's farmers, in planning for 1935, will utilize provisions of the Agricultural Adjustment Act for controlled expansion of production. Using the co-operative procedure made possible by the Act, it is indicated that agriculture will seek to adjust 1935 production to expected demand, replenish livestock, feed and forage supplies severely depleted as a result of the almost nation-wide drought, and maintain balanced production of crops for which surpluses have been reduced.

Despite the worst drought in history of the country, 1934 brought a billion-dollar increase in the cash income of agriculture over 1933. The farm cash income of 1933 was \$723,000,000 more than 1932. With adjustment Administration benefit payments included, the purchasing power per unit of farm commodity was about 80 per cent of pre-war in 1934 as compared with 60 per cent in 1932. Improvement of the farmers' situation was indicated by the fact that their net income, after paying production expenses, had a purchasing power of 80 per cent of prewar compared with 52 per cent in 1932. Estimates indicate that cash farm income for 1934 is 19 per cent higher than last year and 39 per cent higher than in 1932.

The 1934 situation of farmers as reflected in general income data for the country as a whole gives a brighter picture than actually exists in some areas where drought forced heavy liquidations of livestock. The receipts of farmers from sales are included in the 1934 income figures, whereas in some of the drought states these sales represent considerable selling off of inventories of livestock which are needed for breeding purposes. For some farmers this will mean losses of income until foundation herds can be restored. This situation is compensated for to some extent, however, by the fact that many farmers have sold their cull livestock, and that their herds consequently are of a higher average quality for foundation stock than ever before.

More than 3,000,000 farmers participated in agricultural adjustment programs during the last year as members of about 4,000 farmer-organized county production control associations. Utilizing the centralizing powers of the Federal Government, these farmers as a group have been able to direct their own adjustments in production, meet the emergency resulting from the drought, and guide the policies under which the Agricultural Adjustment Act is administered.

Since the first half of 1933 when the agricultural adjustment program and other recovery measures were inaugurated, farm income has followed an upward trend. For 1934, it is estimated that cash farm income, including rental and benefit payments to farmers participating in adjustment programs, will be about \$6,000,000,000, compared with \$5,051,000,000 in 1933. In 1932 cash farm income of the country's farmers was at a low of \$4,328,000,000. Despite the increased cost of things which farmers buy, the balance of 1934 income available for farm family

living and for improvements and savings is expected to show a distinct gain over 1933.

Present indications are that the 1935 income from the sale of farm products, plus rental and benefit payments, will show some advance over the 1934 level. The extent of the advance, however, depends upon the rate of further increase in industrial activity, a rise in national income, and a recovery of foreign markets.

Contributing to the billion-dollar increase in the 1934 cash farm income are rental and benefit payments and drought livestock purchase payments made by the Agricultural Adjustment Administration. Although final reports are not complete, preliminary figures show that since January 1, 1934, and up to December 15, the Agricultural Adjustment Administration has paid farmers a total of \$372,017,672 in rental and benefit payments for cooperating in production adjustment programs.

Between May 12, 1933, when the Agricultural Adjustment Act was approved, and December 31, 1933, farmers received a total of \$131,076,487 in rental and benefit payments from the three programs that had been placed in effect, as follows: Cotton, \$111,405,244; wheat \$18,396,794; and tobacco, \$1,274,448.

Payments in the calendar year of 1934 were as follows by commodities: Cotton \$85,558,151; tobacco \$17,320,309; wheat \$124,872,910; and corn-hogs \$144,266,300. Payments to farmers in the livestock purchase program in the drought areas, as of December 20, totaled \$101,475,331 for cattle and \$6,933,925 for sheep and goats.

Tentative estimates made by the Agricultural Adjustment Administration, subject to change pending completion of contract sign-up campaigns, indicate that during the calendar year 1935 a total of \$476,000,000 in

rental and benefit payments will be paid farmers cooperating in existing adjustment programs and new programs which will go into effect in 1935. The estimates show the following amounts to be paid cooperating growers participating in the various programs: Cotton, \$88,600,000; wheat, \$54,600,000; corn-hogs, \$249,800,000; tobacco, \$32,000,000; sugar \$47,000,000; and peanuts, \$4,000,000. These amounts include rental and benefit payments remaining due on 1934 adjustment programs, and a portion of the payments to be made on new programs.

Adjustment programs already announced and which will be in effect in 1935 include corn and hogs, cotton, wheat, tobacco, peanuts and sugar. Through these programs the country's farmers will continue their efforts toward agricultural stability.

The drought of 1934, the worst ever recorded in this country, constituted a grave threat to efforts for the increase of farm income. It reduced the yield of grains, threatened to destroy the supply of superior and adapted varieties of grain seeds, and caused a feed shortage that without governmental aid would have caused much greater losses to the livestock industry than it did.

The Government, through a coordinated program in which the Agricultural Adjustment Administration took part, attacked the problem of drought in various ways. The benefit payments made in the crop adjustment programs acted as crop income insurance in drought areas. Through an appropriation of \$25,000,000, stocks of adapted seed varieties that had already moved into commercial channels and would shortly have been lost as seed through mixing, feeding, or processing, were purchased as a seed-conservation measure. These seeds are now being distributed to

farmers in drought areas. Through encouragement of planting of forage crops, and through relaxation of crop adjustment contract terms to allow the planting of emergency feed and forage crops on contracted and other acres, it is estimated that the feed supply was increased by 2,409,000 tons over what it would otherwise have been.

The cattle buying program, perhaps the most important program of drought assistance inaugurated, was placed in operation last June. This program sought to salvage for relief food the cattle that otherwise would have died of thirst and starvation. The program prevented outright losses in farm income that would have resulted had drought cattle been allowed to die. It afforded protection to the cattle markets from the effects of forcing animals on the market in poor condition and in such numbers as to result in the collapse of prices.

Approximately \$115,000,000 has been made available for drought cattle purchases, and "benefit payments" to farmers cooperating in the purchase program. Through the operation of this program, more than 687,000 producers have sold 7,476,503 head of cattle, and have received around \$101,475,331 in purchase and "benefit payments". The benefit payments totaled \$37,545,108. These "benefit payments" were non-assignable and not subject to any liens upon the cattle.

A sheep-buying program was also inaugurated to meet a feed shortage in the sheep industry. Under this plan, \$10,000,000 was allotted for purchases, and approximately \$6,596,560 -- half of which represented "benefit payments" to producers -- had been paid in connection with the purchase of 3,298,280 head of sheep purchased from 27,306 farmers.

Practically all of the adjustment programs in effect in 1934 which will be continued in 1935 provide for a controlled expansion of production.

The corn-hog adjustment program for 1935 provides expansion of both corn and hog production above the production levels established in the 1934 program. Under this program the maximum corn acreage that may be planted in 1935 is 90 per cent of the base acreage. This maximum represents an increase of about one-eighth over the 1934 maximum and will permit the production of about 250 million bushels of corn over the reduced requirements for livestock feeding with which depleted feed reserves may be replenished. Contract signers will hold the number of hogs produced for market from 1935 litters to 90 per cent of their base production instead of 75 per cent as provided in the 1934 contract. This new allotment is about one-fifth larger than for the past year. Adjustment payments to participating producers are expected to range from \$150,000,000 to \$165,000,000.

Decision to offer a corn-hog program for 1935 was made after a nationwide referendum indicated that the producers desired such a plan. Nearly 70 per cent of the signers of 1934 corn-hog contracts who voted in the referendum favored a program for 1935. Contracts for this program will be offered all corn-hog producers during January.

Approximately 1,160,000 producers signed contracts to take part in the 1934 corn-hog plan. Because this program is in the process of completion, it is impossible to estimate accurately the definite results. However, it is clear that besides improving the supply position and raising the corn and hog prices, the corn-hog program yielded important supplementary benefits which are now tending to alleviate the distress resulting from the drought.

The 1935 cotton adjustment program also provides for expansion of production over 1934. The increase for the coming year amounts to 25 per cent over that planted by cooperating producers in 1934. The total of rental and benefit payments to participating growers is estimated at \$94,230,000. Operation of the cotton adjustment program in 1935 will mark the third year that the South has engaged in adjusting its main crop.

During 1934 a total of 1,004,000 cotton adjustment contracts were in force. These contracts have been made effective for 1935 and in addition new one-year contracts will be offered producers who did not take part in the 1934 program. On the basis of December 1 prices, and excluding rental and benefit payments, the farm value of cotton and cottonseed produced in 1934 is estimated at \$756,420,000 compared with \$690,526,000 in 1933 and \$425,475,000 in 1932. Rental and parity payments in the 1934 cotton program are bringing growers approximately \$117,000,000 in addition to the farm value of the crop.

The 1935 wheat program which was announced last August, permits an expansion of about 5 per cent of the base acreage from contract requirements of the 1934 program, or an increase from 85 to 90 per cent of the base acreage. Benefit payments to cooperating producers are expected to total \$102,000,000. More than 585,000 wheat adjustment contracts are in effect.

During 1934, the benefit payment part of the wheat adjustment program served farmers as a form of crop insurance. The drought seriously cut into the spring wheat crop; and except for the benefit payments to those who signed wheat adjustment contracts, many farmers otherwise were left without a source of income. In spite of the drought, however, the 1934 wheat crop of 496,469,000 bushels is estimated to have a total farm value of \$432,441,000 compared with \$359,048,000 for the 528,975,000 bushels in 1933, and \$238,828,000 for the 745,788,000 bushels produced in 1932. In addition to the returns from the sale of their wheat, growers cooperating in the 1934

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adjustment program received adjustment payments totaling over \$28,600,000.

Of the six kinds of tobacco for which adjustment programs have been in effect in 1934, programs for four kinds have already been declared effective for 1935. Announcements for the remaining two are expected to be made shortly. The tobacco programs for 1935 permit growers to increase their production above 1934 contract requirements from 5 per cent to as much as 15 per cent of the base acreage, depending on the type of tobacco.

Approximately 275,000 growers in the United States and 10,500 in Puerto Rico entered into tobacco adjustment contracts last year, under which production was reduced by about 30 per cent. The United States crop was brought to about as much below the level of world consumption of this tobacco as the 1933 crop exceeded this level.

On the basis of the December 1 farm price and exclusive of rental and benefit payments, the 1934 crop of 1,095,662,000 pounds of tobacco is estimated to have a farm value of \$240,937,000 compared with \$179,486,000 for the 1,377,639,000 pounds in 1933, and \$107,821,000 for the 1,026,091,000 pounds in 1932. Rental and benefit payments in the 1934 program total around \$28,000,000.

The peanut program which was announced in September, contemplates a definite adjustment in production for the 1935 crop. In addition, it seeks to improve prices and conditions under which the 1934 crop is being marketed by bringing supply in line with consumption through diverting a portion of the 1934 crop into oil or for feed for livestock. In addition to improved prices resulting from adjustment of peanut supplies to consumption requirements, growers are expected to receive around \$4,000,000 in payments for their participation in the program.

A comprehensive attack on the problem of steadily increasing sugar production in the United States and insular regions, was launched during the last year under the Jones-Costigan amendment to the Agricultural

Adjustment Act. Through quota regulations, the marketing of sugar in the United States is controlled. Already programs have been initiated for the adjustment of sugar-beet and sugar-cane acreage in 1935, with separate contracts for each type of sugar production. Growers are now signing contracts in the program.

The last year saw marketing agreements and licenses grow in number and importance as a means of stabilizing marketing conditions for non-basic agricultural commodities, such as fruits and vegetables. During the year there were 23 marketing agreements in effect. These included approximately 5,275 handlers and 128,400 growers. A preliminary report shows that the farm value of products sold by these growers increased from \$196,755,000 in 1933 to \$244,266,000 in 1934, an increase of \$47,511,000 under marketing agreements.

During 1934, a total of 48 milk areas in 18 States had Federal milk licenses through which increased returns were obtained for purchases. The total estimated amount of milk accounted for through the pools set up under the licenses for 1934 is estimated at eight billion pounds, which is approximately 25 per cent of the estimated total volume of fluid milk consumed by the non-farm population of the country. Estimates indicate that the average increase in the price of milk received by producers selling in the licensed areas is between 40 cents and 50 cents net per 100 pounds of Class 1 or fluid milk sales over previous payment rates. This would mean gain to producers on Class 1 milk alone of between 15 and 20 million dollars. Further moderate increase has often been realized on Class 2 and 3 milk.

